

House Study Bill 643

SENATE/HOUSE FILE _____
BY (PROPOSED IOWA PUBLIC
EMPLOYEES' RETIREMENT
SYSTEM BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act concerning the Iowa public employees' retirement system
2 and providing effective date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5505DP 82
5 ec/nh/8

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1 1 Section 1. Section 97B.1A, subsection 20, paragraph a,
1 2 Code 2007, is amended to read as follows:

1 3 a. Service in the armed forces of the United States, if
1 4 the employee was employed by a covered employer immediately
1 5 prior to entry into the armed forces, and if ~~the any of the~~
1 6 following requirements are met:

1 7 (1) The employee was released from service and returns to
1 8 covered employment with an employer within twelve months of
1 9 the date on which the employee has the right of release from
1 10 service or within a longer period as required by the
1 11 applicable laws of the United States.

1 12 (2) The employee, while serving on active duty in the
1 13 armed forces of the United States in an area designated by the
1 14 president of the United States or the United States Congress
1 15 as a combat zone or as a qualified hazardous duty area, or
1 16 deployed outside the United States away from the individual's
1 17 permanent duty station while participating in an operation
1 18 designated by the United States secretary of defense as a
1 19 contingency operation as defined in 10 U.S.C. } 101(a)(13), or
1 20 which became such a contingency operation by the operation of
1 21 law, dies, or suffers an injury or acquires a disease
1 22 resulting in death, so long as the death from the injury or
1 23 disease occurs within a two-year period from the date the
1 24 employee suffered the active duty injury or disease and the
1 25 active duty injury or disease prevented the employee from
1 26 returning to covered employment as provided in subparagraph
1 27 (1).

1 28 Sec. 2. Section 97B.1A, subsection 26, paragraph a,
1 29 subparagraph (2), subparagraph subdivision (i), Code 2007, is
1 30 amended to read as follows:

1 31 (i) ~~Payments for allowances made to an employee that are~~
1 32 ~~not included in an employee's federal taxable income except~~
1 33 ~~for those allowances included as wages for a member of the~~
1 34 ~~general assembly.~~

1 35 Sec. 3. Section 97B.1A, subsection 26, paragraph a,
2 1 subparagraph (2), Code 2007, is amended by adding the
2 2 following new subparagraph subdivision:

2 3 NEW SUBPARAGRAPH SUBDIVISION. (n) Bonuses of any type,
2 4 whether paid in a lump sum or in installments.

2 5 Sec. 4. Section 97B.4, subsection 2, Code Supplement 2007,
2 6 is amended by adding the following new paragraph:

2 7 NEW PARAGRAPH. d. In administering this chapter, the
2 8 system shall not be a participating agency for purposes of
2 9 chapter 8A, subchapter II.

2 10 Sec. 5. Section 97B.7, subsection 3, paragraph d, Code
2 11 2007, is amended to read as follows:

2 12 d. To be used to pay for investment management expenses
2 13 incurred in the management of the retirement fund. Expenses
2 14 incurred pursuant to this paragraph shall be charged to the
2 15 investment income of the retirement fund. ~~However, the amount~~
2 16 ~~appropriated for a fiscal year under this paragraph shall not~~
2 17 ~~exceed four-tenths of one percent of the market value of the~~
2 18 ~~retirement fund.~~

2 19 Sec. 6. Section 97B.9, subsection 1, Code 2007, is amended
2 20 to read as follows:

2 21 1. An employer shall be charged the greater of ~~ten~~ twenty
2 22 dollars per occurrence or interest at the combined interest
2 23 and dividend rate required under section 97B.70 for the
2 24 applicable calendar year for contributions unpaid on the date
2 25 on which they are due and payable as prescribed by the system.
2 26 The system may adopt rules prescribing circumstances for which
2 27 the interest or charge shall not accrue with respect to
2 28 contributions required. Interest or charges collected
2 29 pursuant to this section shall be paid into the Iowa public
2 30 employees' retirement fund.

2 31 Sec. 7. Section 97B.11, Code 2007, is amended to read as
2 32 follows:

2 33 97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

2 34 1. Each employer shall deduct from the wages of each
2 35 member of the retirement system a contribution in the amount
3 1 of the applicable employee percentage of the covered wages
3 2 paid by the employer and such additional amount if otherwise
3 3 required by law, until the member's termination from
3 4 employment. The contributions of the employer shall be in the
3 5 amount of the applicable employer percentage of the covered
3 6 wages of the member and such additional amount if otherwise
3 7 required by law.

3 8 2. ~~For~~ Prior to July 1, 2011, for purposes of this
3 9 section, unless the context otherwise requires:

3 10 a. "Applicable employee percentage" means the percentage
3 11 rate equal to three and seven-tenths percent plus forty
3 12 percent of the total additional percentage.

3 13 b. "Applicable employer percentage" means the percentage
3 14 rate equal to five and seventy-five hundredths percent plus
3 15 sixty percent of the total additional percentage.

3 16 c. "Total additional percentage" means ~~as follows:~~

~~3 17 (1) For, for~~ for the fiscal period beginning July 1, 2007,
3 18 through June 30, 2011, the total additional percentage for a
3 19 fiscal year shall be the total additional percentage for the
3 20 prior fiscal year plus, only if the total comparison
3 21 percentage is greater than the total of the applicable
3 22 employee percentage and the applicable employer percentage for
3 23 the prior fiscal year, one-half percentage point.

~~3 24 (2) For each fiscal year beginning on or after July 1,
3 25 2011, the total additional percentage shall be the total
3 26 additional percentage for the prior fiscal year.~~

3 27 d. "Total comparison percentage" means the percentage rate
3 28 that the system determines, based upon the most recent
3 29 actuarial valuation of the retirement system, would be
3 30 sufficient to amortize the unfunded actuarial liability of the
3 31 retirement system in ten years.

3 32 3. On and after July 1, 2011, for purposes of this
3 33 section, unless the context otherwise requires:

3 34 a. For members in regular service:

3 35 (1) "Applicable employee percentage" means the percentage
4 1 rate equal to forty percent of the required contribution rate
4 2 for members in regular service.

4 3 (2) "Applicable employer percentage" means the percentage
4 4 rate equal to sixty percent of the required contribution rate
4 5 for members in regular service.

4 6 b. For members in special service in a protection
4 7 occupation as described in section 97B.49B:

4 8 (1) "Applicable employee percentage" means the percentage
4 9 rate equal to forty percent of the required contribution rate
4 10 for members described in section 97B.49B.

4 11 (2) "Applicable employer percentage" means the percentage
4 12 rate equal to sixty percent of the required contribution rate
4 13 for members described in section 97B.49B.

4 14 c. For members in special service as a county sheriff or
4 15 deputy sheriff as described in section 97B.49C:

4 16 (1) "Applicable employee percentage" means the percentage
4 17 rate equal to fifty percent of the required contribution rate
4 18 for members described in section 97B.49C.

4 19 (2) "Applicable employer percentage" means the percentage
4 20 rate equal to fifty percent of the required contribution rate
4 21 for members described in section 97B.49C.

4 22 d. "Required contribution rate" means that percentage of
4 23 the covered wages of members in regular service, members
4 24 described in section 97B.49B, and members described in section
4 25 97B.49C, that the system shall, for each fiscal year,
4 26 separately set for members in each membership category as
4 27 provided in this paragraph. The required contribution rate
4 28 for a membership category shall be the contribution rate the
4 29 system actuarially determines, based upon the most recent

4 30 actuarial valuation of the system and using the actuarial
4 31 methods, assumptions, and funding policy approved by the
4 32 investment board, is the rate required by the system to
4 33 discharge its liabilities as a percentage of the covered wages
4 34 of members in that membership category. However, the required
4 35 contribution rate set by the system for a fiscal year shall
5 1 not vary by more than one-half percentage point from the
5 2 required contribution rate for the prior fiscal year.

5 3 Sec. 8. Section 97B.14, Code 2007, is amended to read as
5 4 follows:

5 5 97B.14 CONTRIBUTIONS FORWARDED.

5 6 Contributions deducted from the wages of the member under
5 7 section 97B.11 prior to January 1, 1995, member contributions
5 8 picked up by the employer under section 97B.11A beginning
5 9 January 1, 1995, and the employer's contribution shall be
5 10 forwarded to the system for recording and deposited with the
5 11 treasurer of the state to the credit of the Iowa public
5 12 employees' retirement fund. Contributions shall be remitted
5 13 monthly, ~~if total contributions by both employee and employer~~
5 14 ~~amount to one hundred dollars or more each month,~~ and shall be
5 15 otherwise paid in such manner, at such times, and under such
5 16 conditions, either by copies of payrolls or other methods
5 17 necessary or helpful in securing proper identification of the
5 18 member, as may be prescribed by the system.

5 19 Sec. 9. Section 97B.38, Code 2007, is amended to read as
5 20 follows:

5 21 97B.38 FEES FOR SERVICES.

5 22 The system may, by rule, prescribe reasonable fees which
5 23 may be charged for ~~production costs incurred,~~ including staff
5 24 time and materials, ~~associated with performing to perform its~~
5 25 duties under this chapter for active, inactive, and retired
5 26 members, beneficiaries, and the general public, where such
5 27 ~~production costs are more than de minimis, as determined by~~
5 28 ~~the system.~~

5 29 Sec. 10. Section 97B.49B, subsection 3, paragraph a, Code
5 30 2007, is amended by striking the paragraph.

5 31 Sec. 11. Section 97B.49C, subsection 3, paragraph a, Code
5 32 2007, is amended by striking the paragraph.

5 33 Sec. 12. Section 97B.50, subsection 2, Code 2007, is
5 34 amended by adding the following new paragraph:

5 35 NEW PARAGRAPH. d. For a vested member, who retires from
6 1 the retirement system due to disability on or after July 1,
6 2 2009, and commences receiving disability benefits pursuant to
6 3 the federal Railroad Retirement Act, 45 U.S.C. } 231 et seq.,
6 4 or the federal Social Security Act, 42 U.S.C. } 423 et seq.,
6 5 the system may require the vested member to certify on an
6 6 annual basis continued eligibility for disability payments
6 7 under the federal Railroad Retirement Act or the federal
6 8 Social Security Act. If the vested member is under the age at
6 9 which disability benefits are converted under the federal
6 10 Social Security Act or the federal Railroad Retirement Act to
6 11 retirement benefits and is no longer eligible for disability
6 12 payments under either the federal Railroad Retirement Act or
6 13 the federal Social Security Act, the vested member shall no
6 14 longer be eligible to receive retirement benefits as provided
6 15 by this subsection. If the system has paid retirement
6 16 benefits to the member between the month the member was no
6 17 longer eligible for payment pursuant to the federal Railroad
6 18 Retirement Act or the federal Social Security Act and the
6 19 month the system terminated retirement benefits under this
6 20 paragraph, the member shall return all retirement benefits
6 21 paid by the system following the termination of such federal
6 22 disability benefits, plus interest. The system shall adopt
6 23 rules pursuant to chapter 17A to implement this paragraph.

6 24 Sec. 13. Section 97B.50A, subsection 12, Code 2007, is
6 25 amended to read as follows:

6 26 12. CONTRIBUTIONS. The expenses incurred in the
6 27 administration of this section by the system shall be paid
6 28 through contributions as determined pursuant to section
6 29 ~~97B.49B, subsection 3, or section 97B.49C, subsection 3, as~~
6 30 ~~applicable 97B.11.~~

6 31 Sec. 14. Section 97B.65, Code 2007, is amended to read as
6 32 follows:

6 33 97B.65 REVISION RIGHTS RESERVED == LIMITATION ON INCREASE
6 34 OF BENEFITS == RATES OF CONTRIBUTION.

6 35 1. The right is reserved to the general assembly to alter,
7 1 amend, or repeal any provision of this chapter or any
7 2 application thereof to any person, provided, however, that to
7 3 the extent of the funds in the retirement system the amount of
7 4 benefits which at the time of any such alteration, amendment,
7 5 or repeal shall have accrued to any member of the retirement

7 6 system shall not be repudiated, provided further, however,
7 7 that the amount of benefits accrued on account of prior
7 8 service shall be adjusted to the extent of any unfunded
7 9 accrued liability then outstanding.

7 10 2. An increase in the benefits or retirement allowances
7 11 provided under this chapter shall not be enacted until after
7 12 the system's actuary determines that the system is fully
7 13 funded and will continue to be fully funded immediately
7 14 following enactment of the increase and the increase can be
7 15 absorbed within the contribution rates otherwise established
7 16 for the membership group authorized to receive the increase.

7 17 However, an increase in the benefits or retirement allowances
7 18 provided under this chapter may be enacted if the statutory
7 19 change providing for the increase is accompanied by a change
7 20 in the employer and employee contribution rates an adjustment
7 21 in the required contribution rate of the membership group
7 22 affected that is necessary to support such increase as
7 23 determined by the system's actuary.

7 24 Sec. 15. TRANSITION PROVISION == REQUIRED CONTRIBUTION
7 25 RATE FOR FISCAL YEAR 2010=2011. For purposes of establishing
7 26 the required contribution rate for the fiscal year beginning
7 27 July 1, 2011, as provided in section 97B.11, as amended in
7 28 this Act, the required contribution rate for the fiscal year
7 29 beginning July 1, 2010, shall be, for members in regular
7 30 service, members described in section 97B.49B, and members
7 31 described in section 97B.49C, the total contribution
7 32 percentage rate paid by members and employers of that
7 33 membership group for the fiscal year beginning July 1, 2010.

7 34 Sec. 16. EFFECTIVE DATES.

7 35 1. The section of this Act amending section 97B.9,
8 1 subsection 1, takes effect May 1, 2008.

8 2 2. The section of this Act amending section 97B.14 takes
8 3 effect May 1, 2008.

8 4 3. The section of this Act amending section 97B.38 takes
8 5 effect May 1, 2008.

8 6 4. The sections of this Act amending section 97B.49B,
8 7 subsection 3, section 97B.49C, subsection 3, and section
8 8 97B.50A, subsection 12, and section 97B.65, take effect July
8 9 1, 2011.

8 10 EXPLANATION

8 11 This bill concerns the Iowa Public Employees' Retirement
8 12 System (IPERS).

8 13 Code section 97B.1A(20), concerning the definition of
8 14 service, is amended to provide that service includes a period
8 15 of military service from which the IPERS member does not
8 16 return to IPERS covered service due to injury or disease
8 17 resulting in death. Currently, a member must return to
8 18 covered employment from military service in order to receive
8 19 service credit for the period of military service.

8 20 Code section 97B.1A(26), concerning the definition of
8 21 wages, is amended to exclude bonuses and allowances, except
8 22 allowances included as wages for members of the general
8 23 assembly, from the definition of wages.

8 24 Code section 97B.4(2), concerning the authority of the
8 25 system in administering IPERS, is amended to provide that
8 26 IPERS is not a participating agency for purposes of
8 27 information technology services under the department of
8 28 administrative services.

8 29 Code section 97B.7(3), concerning the payment of investment
8 30 management expenses from the retirement fund, is amended to
8 31 eliminate the cap on the amount authorized to be expended to
8 32 pay investment management expenses during a fiscal year. The
8 33 current cap is four-tenths of one percent of the market value
8 34 of the retirement fund.

8 35 Code section 97B.9(1) is amended to set the fee for late
9 1 contributions at the greater of \$20 per occurrence or interest
9 2 at the combined interest and dividend rate required under
9 3 section 97B.70. Currently, an employer is charged the greater
9 4 of \$10 per occurrence or interest at the combined interest and
9 5 dividend rate required under section 97B.70. This provision
9 6 takes effect May 1, 2008.

9 7 Code section 97B.11, concerning contributions to the system
9 8 by employers and employees, is amended. Beginning July 1,
9 9 2011, IPERS will determine a required contribution rate for
9 10 each membership group, including members in regular service,
9 11 which is the contribution rate the system actuarially
9 12 determines is the rate required by the system to discharge its
9 13 liabilities as to that membership group as a percentage of the
9 14 covered wages of members in that membership category.
9 15 However, the bill provides that the required contribution rate
9 16 for each membership group in a fiscal year shall not vary by

9 17 more than one-half percentage point from the required
9 18 contribution rate for the previous year. The bill then
9 19 provides that, for members in regular service under IPERS, the
9 20 employers shall pay 60 percent of the rate and members shall
9 21 pay 40 percent of the rate. While current law provides for an
9 22 actuarial determination of the rates for members of the
9 23 special service categories, protection occupations, and
9 24 sheriffs and deputy sheriffs, the contribution rate for
9 25 members in regular service is fixed. In addition, current law
9 26 does not limit the increase or decrease in the total rate paid
9 27 for members in special service by one-half percentage point.
9 28 Code sections 97B.49B(3), 97B.49C(3), and 97B.50(2) are
9 29 amended, effective July 1, 2011, by striking that portion of
9 30 each section that sets contribution rates for special service
9 31 members to reflect that the establishment of those rates is
9 32 done by this bill through Code section 97B.11 as of July 1,
9 33 2011.

9 34 Code section 97B.14 is amended by eliminating an exception
9 35 that permitted small employers with total monthly
10 1 contributions of \$100 or less to pay those contributions
10 2 quarterly rather than monthly. The bill requires all
10 3 employers to pay contributions monthly, regardless of the
10 4 amount of the contributions. This provision takes effect May
10 5 1, 2008.

10 6 Code section 97B.38, concerning fees for services, is
10 7 amended to allow the system to charge fees to anyone for the
10 8 costs incurred by the system in performing its duties.
10 9 Currently, members, beneficiaries, and the general public, but
10 10 not employers, may be charged fees. This provision takes
10 11 effect May 1, 2008.

10 12 Code section 97B.50, concerning early retirement due to
10 13 disability, is amended to provide that a member who qualifies
10 14 for IPERS regular disability benefits by becoming eligible for
10 15 federal disability benefits must demonstrate their continued
10 16 qualification for federal disability benefits to receive IPERS
10 17 benefits. Current law does not require a determination that
10 18 the member remains eligible for federal disability benefits
10 19 once initial eligibility is established. The change does not
10 20 affect the ability of the member to qualify for retirement
10 21 benefits based on criteria other than disability.

10 22 Code section 97B.65, concerning limitation on increases in
10 23 benefits, is amended to provide that an increase in benefits
10 24 shall not be implemented unless the system is fully funded and
10 25 the increase in benefits can be absorbed into existing
10 26 contribution rates for the membership group affected. Current
10 27 law only requires that the system be fully funded prior to
10 28 implementing the increase in benefits. This change also
10 29 provides that the increase in benefits can be implemented even
10 30 if the system is not fully funded or existing contribution
10 31 rates are insufficient if the statutory change providing for
10 32 the increased benefit is accompanied by a change in the
10 33 required contribution rate necessary to support the increased
10 34 benefit. This provision takes effect July 1, 2011.

10 35 LSB 5505DP 82

11 1 ec/nh/8.1